

MOZAMBIQUE News reports & clippings

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Social protection special report

Cash to elderly up 84% next year, but government caught in battle for control with donors and World Bank

By Joseph Hanlon

Substantial increases in cash transfers for poor people are included in the plan and budget just sent to parliament, as the government attempts to fulfil its progressive social protection strategy approved last year. That strategy calls for expanding cash payments to most older people and small children. Cash transfers to the elderly and disabled will rise next year by 84% in Meticaís terms and 131% in dollar terms. This is a large rise in real terms, from 0.21% to 0.32% of gross national product (GNP, PIB).

"Mozambique has a nationally developed system, which is different from many other countries where social protection is donor driven," the representative of an important donor told me as I researched this report. But the government faces an intensifying three-way battle for control. The three corners of the triangle are:

- **The government, backed by UN agencies**, notably Unicef and the ILO (International Labour Organization), who want a universal benefit for nearly all children and elderly, and want it administered through the government.
- **Bilateral donors**, who tend to back the government strategy and a universal benefit, but oppose government administration. Because of the freeze on aid to government caused by the \$2 billion secret debt, most donors want to create alternative parallel non-government administration structures.
- **The World Bank**, which opposes universal benefits and wants narrowly targeted benefits based on secret means tests, administered by the private sector. Internationally the World Bank is engaged in a bitter and angry war with the UN agencies over this, and is turning Mozambique into one of the battlefields.

Secret debt documents and report:

Kroll full report (80 Mb!) <http://bit.ly/Kroll-Moz-full>

Kroll audit Executive Summary <http://bit.ly/Kroll-sum>

Parliamentary Report on the Secret Debt (complete, in Portuguese) bit.ly/MozAR-debt

Key points from the Parliamentary Report on the Secret Debt <http://bit.ly/MozAR-debt-En>

Mozambique should not pay the hidden debt <http://bit.ly/Moz-do-not-pay>

Following the donor-designed path to the \$2.2 billion secret debt <http://bit.ly/3WQ-hanlon>

Other books and reports:

Local media monitoring of Mozambique elections (background of election newsletters)
<http://bit.ly/LSE-newsletter>

Chickens and beer: A recipe for agricultural growth in Mozambique book by Teresa Smart and Joseph Hanlon, **free** English download <http://bit.ly/chickens-beer>

Há mais bicicletas - mas há desenvolvimento? book by Joseph Hanlon and Teresa Smart, **free** Portuguese download <http://bit.ly/Mais-bicicletas>

Gas for development or just for money? <http://bit.ly/MozGasEn>

Mozambican social protection

Mozambique's cash transfer programme has evolved over more than two decades. Its main component is a cash payment aimed at elderly people (mostly women) and disabled people with income of less than two-thirds of the poverty line. This is the PSSB (Programa Subsídio Social Básico, Basic Social Subsidy Programme) which is currently a family grant, and ranges from MT 310 (\$5) per month for individuals to MT 620 (\$10) per month to elderly people with four dependents. This is a very small amount of money, but the median rural cash income is only MT 285 (\$4.60) per family per month.¹

The plan and budget for 2018, submitted to parliament on 3 October, calls for an increase to 404,806 PSSB beneficiaries in 2018,² and the amount of money paid to each will also increase. The cost would rise from MT 1.7 bn (\$22.1 mn) to MT 3.2 bn (\$51.6 mn).³

The *National Strategy for Basic Social Security 2016-2024*⁴ approved last year by the Council Ministers, made several important policy changes. The first three principles of the strategy are "solidarity", "universality" and "equity". The first target of the strategy is to "reinforce consumption, autonomy and resilience." And the strategy shifts the emphasis from the family to the individual. As part of that, the strategy also calls for the introduction of a universal benefit to most children under two years old by 2024. This is an explicit shift from a targeted, charity focus to a rights-based, universal benefit. The Strategy specifically stresses "respect for the rights and dignity of beneficiaries."

Under the strategy PSSB recipients would increase to 1.2 mn in 2024,⁵ at a cost of 0.78% of GNP. The child benefit would go to 1.4 mn children at a cost of 0.92% of GNP. All cash transfers together would cost 2.23% of GNP in 2024.⁶

Social protection comes under the Ministry of Gender, Children and Social Action (MGCAS, Ministério de Género, Criança e Acção Social) and is administered by INAS (Instituto Nacional de Acção Social, National Social Action Institute). Having grown up ad hoc, the system works relatively well, but administration and record keeping are not good. (Discussed more below.) Plans for the major expansion led MGCAS and INAS to move toward better management information and payments systems, and to the outsourcing of payments. It was decided to integrate this into the highly successful and locally developed national electronic accounting and payments system *e-sistafe*, which has been developed since 2001 by what is now CEDSIF (Centro de Desenvolvimento de Sistemas de Informação) in the Ministry of Economy and Finance (MEF).⁷ The system will have details of all beneficiaries, including where they live, tax number, etc. There are already waiting lists, and these will be put on the system as well. Most recipients are elderly

¹ Teresa Smart & Joseph Hanlon, *Galinhas e Cerveja: uma receita para o crescimento*, 2014, p 50, based on the 2012 Inquérito da Agricultura Integrada (IAI). This is cash income; the higher (but still low) rural incomes normally cited include the value of crops produced for self-consumption, which contains that anomaly that if maize or cassava market prices rise, the family become richer, because the same maize they are eating has a higher cash value.

² Proposta do Plano Económico e Social 2018, http://www.dno.gov.mz/docs/OE2018/OE2018_PROPOSTA_AR/Proposta_Plano_Economico%20_Social_%202018_Versao_AR_29SET2017.pdf; Proposta OE 2018 submetida a Assembleia da República, <http://www.dno.gov.mz/#nogo>

³ The Metical has gained value in the past year. Exchange rates in October, the time the budget was submitted, are October 2017 \$1 = MT 61.32 and October 2016 \$1 = MT 77.58.

⁴ *Estratégia Nacional de Segurança Social Básica 2016-2024*, http://www.ilo.org/wcmsp5/groups/public/---africa/---ro-addis_ababa/---ilo-lusaka/documents/publication/wcms_532758.pdf

⁵ 1,009,500 elderly and 190,073 disabled. Projections by INE (Instituto Nacional de Estatística) are that in 2024 there will be 1.5 mn people over age 60, 55% of them women, and 2.1 mn children under 2 years old. Thus the strategy is to cover two-thirds of the age group and exclude the one-third best off; criteria have not yet been set, but anyone receiving any pension (mostly government) would be excluded.

⁶ Various smaller programmes would cost 0.11% of GNP and the World Bank PASP (Programa Acção Social Produtiva) public works programme would cost 0.31% of GNP.

⁷ <http://www.cedsif.gov.mz/index.php/2015-07-08-21-35-47/2015-07-07-11-27-48>

and illiterate, but many have mobile telephones; once the initial information system is in place it is hoped to outsource the payments system as a mix of electronic money and cash.

Basic cash transfer data

	billion MT						MT/\$ Exchange
	Total grants	PSSB	child	other	PASP	PIB	
2018 budget	3.67	3.16		0.47	0.13	991.7	61.32
2017 budget	2.58	1.72		0.78	0.08	802.9	77.58
	% PIB (GNP)						
2024 strategy	2.23%	0.78%	0.92%	0.11%	0.42%		
2018	0.37%	0.32%		0.05%	0.01%		
2017	0.32%	0.21%		0.10%	0.01%		
	\$ million						
2018	59.8	51.6		7.6	2.2		
2017	33.3	22.1		10.1	1.1		
	% change, 2018 vs 2017						
% increase \$	42%	84%		-40%	61%		
% increase MT	80%	133%		-24%	104%		

2017 and 2018 budgets (including PIB prediction), and 2024 from Strategy.

Exchange rates are October 2016 and 2017, the months of the 2017 and 2018 budgets.

Donor response

In May 2016, most bilateral donors plus the European Union halted all budget support and most aid going through government channels because of the \$2 bn secret debt. This means that the 2017 cash transfers are funded entirely for the state budget.⁸ This has created two serious problems for donors. First, the debt issue has caused an economic crisis, forcing government spending cuts and austerity, which have triggered inflation. The IMF and donors stress that want the poor to be protected and want to maintain and increase social protection, but they cannot give money to MGCAS and INAS, which have historically provided social protection in Mozambique, because they are government agencies. Second, local donor officials want to keep as much of the blocked aid money within Mozambique as possible, but it cannot be spent on government-run social protection.

In other situations, donors might move to a World Bank managed trust fund. But the donors in Maputo do not support the World Bank line on social protection, so they have instead become part of the One UN Joint Programme on Social Protection. This programme of three UN Agencies (UNICEF, WFP and ILO) is funded by four bilateral donors (UK, Sweden, Netherlands and Ireland)⁹. In part, this is to support MGCAS and INAS with technical assistance, which is still permitted - and to keep donors happy MGCAS and INAS accept all technical assistance on offer, even if it is contradictory and not needed. But there is also discussion about routing money through a UN-managed fund, and some money might be dispersed this year.

But some donors have opted to create competing parallel systems - accepting the new strategy as policy but not using government systems for implementation. A first move in this direction was made by UK's DfID early this year when it issued an invitation to tender for a pilot of the early childhood grant programme and to manage the funds and develop payment programmes.¹⁰ This would be a pilot in one or two districts, starting in districts with the worse child malnutrition. It would

⁸ A small amount of money from the World Bank PASP project was given to the government, but this was a loan and should be treated as government money, not donor funds.

⁹ DfID, 7916: Mozambique Social Protection Support Programme: Establishment and Management of a Technical Assistance and Innovation Facility (TIAF)

<https://supplierportal.dfid.gov.uk/selfservice/pages/public/supplier/publicbulletin/viewPublicNotice.cmd?bm90aWNISWQ9NjkwNDA%3D>

¹⁰ DfID, 7916.

be a universal grant for all infants under two years old, following the new Strategy and with agreement of the government, but would be run entirely independently of the government.

Donors always stress the importance of local ownership. The new strategy was written by the government and has strong support with both the gender and finance ministries (MGCAS and MEF). Gender Minister Cidália Chaúque and INAS staff strongly support the child grant and have publicly urged donors to support it. Yet donors appear to be saying that the only way to support it is to take it away from government, ending local ownership.

World Bank

Since 2013, the World Bank has been actively promoting an entirely different \$60 mn social protection project - a highly targeted public works programme, the PASP (Progama Acção Social Produtiva, Productive Social Action Programme). In a 26 June 2017 evaluation, the World Bank lowered the progress rating from "Moderately Satisfactory" to "Moderately Unsatisfactory".¹¹ In four years, only \$10 mn has been spent and only 21,783 people have participated, compared to a target of 100,000 by now.

The project is billed as 4-4-4: 4 hours a day of work for 4 days a week for 4 months a year in rural areas - and 6 months a year in urban centres. In rural areas it's designed as a dry season income smoothing instrument. The monthly payment is MT 650 (\$10.60). The monthly minimum wage is MT 3642 in rural areas and MT 3995 in urban zones. Four days of 4 hours is about one-third time, which means the World Bank is only paying half the minimum wage. This is about the level paid to day labourers (ganho-ganho) on rural farms, but is totally unacceptable in urban areas.

The World Bank is particularly trying to get money to unemployed youth who might riot in the face of increasing austerity. It is targeting households with unemployed young people and which were below the poverty line. It does this with a secret ranking known as a "proxy means test", which is controversial because people do not know why one household has been chosen and a neighbour has not - violating all the international pressure for transparency.

Proxy means tests usually use assets to evaluation poverty - condition of the house, such as what the roof is made of, as well as having a bicycle, radio, etc. The problem is that this really tests income several years ago, when the purchase was made, and not current income or poverty. Globally proxy means tests have proved poor indicators of poverty¹², but because they are opposed to universal benefits the World Bank continues to try to find tests that work.

Public works projects are always difficult to manage, and the World Bank has found this in Mozambique. Thus the project has not been successful. An independent payments system for the PASP went out to tender recently, which the World Bank hoped would be an alternative to the INAS e-sistafe based system. But it appears that this, too, has been unsuccessful; there was little interest and no acceptable bidders.

An evaluation for UK's DfID said that PSAP should not be supported both because a public works project is not the right sort of intervention for Mozambique and because the PASP would be "ineffective" and have "negligible" impact.¹³

There is a growing global division on social protection. The more conservative voices such as the World Bank argue that only the very poorest should be helped and that systems must be

¹¹ World Bank, MZ-Social Protection project (P129524), 26 June 2017, <http://documents.worldbank.org/curated/en/974211498510419979/pdf/ISR-Disclosable-P129524-06-26-2017-1498510407591.pdf>

¹² Stephen Kidd, Bjorn Gelders and Diloá Bailey-Athias, "Exclusion by design: An assessment of the effectiveness of the proxy means test poverty targeting mechanism", Geneva: International Labour Office, 2017, <http://www.social-protection.org/gimi/gess/RessourcePDF.action?ressource.ressourceId=54248>

¹³ Oxford Policy Management, "ICF Social Protection and Climate Change in Mozambique with a focus on the role of the PASP: Feasibility and design consultancy"

developed to identify them. And they say that the poor should be made to work. The alternative gaining ground is a rights based approach, saying that everyone has a right to enough money to survive. That points to universal grants such as pensions and child benefit, which are also much easier and less expensive to administer.¹⁴

The World Bank line gains some support from older senior Frelimo leaders, who argue that giving people money makes them lazy. But technicians in MEF, INAS and MGCAS have seen the extensive research evidence that this not true, and also realise that they do not have the capacity to administer complex selection programmes, and thus they backed the new strategy. In internal debates in Mozambique in 2015 the World Bank strongly, but unsuccessfully, opposed the new strategy.

The issue came to head in July when senior MEF officials said they wanted the World Bank project ended, and the money transferred to PSSB. The World Bank refused, despite its own officials saying the project was unsuccessful. In part this reflects pressure from Washington, which sees Mozambique as one of the battlegrounds against the UN rights-based approach.

Resolving on-going problems

Mozambique's social protection system has developed over more than two decades and there is an understanding that it needs to be modernised to deal with the very large expansion planned. It has followed the model of village health workers (APIEs) in that community volunteers were selected locally and given limited training. Called "permanentes", they are supposed to identify people in need of social assistance and make the links with the ministries of health and social action. They also became the people who identified the elderly and disabled who should receive the PSSB grants. They are given quotas based on the amount of money available, and they build up waiting lists. They also tell recipients the day before payments are to be made.

Cash is delivered every two months by INAS, and identification is required to receive the money. In some areas the delivery is accompanied by police guard. One problem has been irregular deliveries of money, which is exacerbated by the economic crisis, which means INAS this year has been receiving transfers late from MEF, and it is behind in payments in some areas.

The role of permanentes is much discussed. Most recipients are illiterate and need a contact person, and permanentes seem to be known and respected in the community. Within communities in Mozambique, community leaders often have links with Frelimo, the predominant party. Permanentes only select people who qualify for the PSSB, but the financial limits mean that only half of those eligible are receiving grants, and there are indications that there is sometimes bias in promoting people from the waiting list.

There is now a formal civil society platform (Plataforma da Sociedade Civil Moçambicana para Protecção Social) which is monitoring the PSSB at local level, and is working with the UN joint programme. The first report of the platform was highly positive, particularly stressing how the grant builds self-respect.¹⁵ But the platform has also identified problems, and also stresses the importance of a proper information system, which is now being developed.

Concluding comments

Unlike many other countries, Mozambique's social protection system is locally developed and locally owned - and now locally paid for. A new strategy was approved last year calling for an

¹⁴ Development Pathways has a website which has covered this debate in detail. See, for example the blog "Under threat: social protection that includes everybody in their old age?" 28 September 2017, <http://www.developmentpathways.co.uk/resources/on-day-underlining-contribution-of-all-older-persons-can-social-protection-include-them/>

¹⁵ Plataforma da Sociedade Civil Moçambicana para Protecção Social, "Estudo de Impacto das Políticas e Programas de Protecção Social para os Grupos Vulneráveis, Moçambique-2016"

expansion of cash transfers to cover most of those over 60 and under 2 years old. A major expansion is planned for next year. And with the support of UN agencies, the government, through the Ministry of Gender, Children and Social Action (MGCAS, Ministério de Género, Criança e Acção Social) and INAS (Instituto Nacional de Acção Social, National Social Action Institute) is building the capacity to make the substantial expansion needed to implement the expanded programme and make the payments. But Mozambique needs finance from donors and lenders to implement its ambitious programme.

However, there is also a three way battle for control of the system. The government and ruling party Frelimo have lost the trust of much of the donor and lender community through a secret \$2 bn loan package which seems of no benefit to the state or the people, and has been labelled by the IMF head Christine Lagarde and many others as corrupt. Most of the donor community are now refusing to put aid money into any part of the government. The loss of budget support has combined with the fall in export commodity prices and the delay in a major gas project to create an economic crisis which in turn is forcing austerity.

Decisions need to be taken in coming weeks. Austerity is hurting the poorest, as well as part of the middle class, and social protection is the obvious way to cushion the impact for the poorest. Urban cash transfers could reduce the risk of riots. But donors are divided. Some want to support a genuinely nationally owned and developed social protection system, which they also see as progressive. They need to find a way to funnel money to INAS, perhaps via the United Nations system.

Some conservative donors will support government policies but do not want government to implement, so they want to create alternative parallel systems. And some donors are so angry with Frelimo and government that they simply do not want to support the government, so will also opt for parallel systems. Will this override the rhetoric about local ownership? Is fragmentation of a good system inevitable, or can they be won back to support the national system?

Finally, the World Bank continues to wage its war on universal systems, and the economic crisis means it has substantial power in Mozambique, despite the failure of its public works and proxy means test project. Meanwhile, the IMF Executive Board in a 6 June 2017 statement called for closer cooperation with the World Bank on social protection. It also called for "the use of measures to mitigate any adverse effects of program measures on the most vulnerable" but said that "the focus should be on targeting spending where the benefit and impact on the poor is greatest".¹⁶ In May this year the IMF insisted that Mongolia move from a universal child benefit to a targeted one.¹⁷ Mozambique is anxious to have a new IMF programme in order to unlock other donor assistance, so this could be another risk to the new social protection strategy.

Mozambique had been gaining decision making power as international aid became less important. But by using that power to take on the dubious \$2 bn secret loans, the previous Mozambican government inadvertently shifted the power balance back again. The IMF, World Bank and donors again hold the upper hand, and the government's social protection strategy could be one casualty. The struggle continues for control and funding of Mozambique's national cash transfer programme, and decisions in the coming weeks could be critical.

Joseph Hanlon is the author (with David Hulme and Armando Barrientos) of *Just Give Money to the Poor*, Sterling (VA. USA) Kumarian, 2010, which set out the debate on cash transfers. He is a Visiting Senior Fellow at both the London School of Economics and the Open University.

¹⁶ IMF, "Social Safeguards and Program Design in PRGT and PSI-Supported Programs", 6 June 2017, <http://www.imf.org/en/Publications/Policy-Papers/Issues/2017/06/01/pp042117social-safeguards-and-program-design-in-prgt-and-psi>

¹⁷ Peter Bakvis, "What lies behind the thinking of those driving development at the IMF?" Development Pathways, 3 Sept 2017, <http://www.developmentpathways.co.uk/resources/what-lies-behind-the-thinking-of-those-driving-development-at-the-imf/>

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Election study collaboration: We have detailed election data from 1999 through 2014 and are inviting scholars to use this data collaboratively. <http://bit.ly/MozElecData>

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Other books and reports by Joseph Hanlon

Special report on four poverty surveys: bit.ly/MozPoverty

Comment: something will turn up: <http://bit.ly/28SN7QP>

Oxfam blog on Bill Gates & chickens:

<http://oxfamblogs.org/fp2p/will-bill-gates-chickens-end-african-poverty/>

Bangladesh confronts climate change: Keeping our heads above water

by Manoj Roy, Joseph Hanlon and David Hulme

Published by Anthem Press

<http://www.anthempress.com/bangladesh-confronts-climate-change-pb>

Chickens and beer: A recipe for agricultural growth in Mozambique by Teresa Smart and Joseph Hanlon

In pdf format, 6 Mb file, free on <http://bit.ly/chickens-beer>

E-book for Kindle and iPad, <http://www.amazon.com/dp/B00NRZXXKE>

Galinhas e cerveja: uma receita para o crescimento

by Teresa Smart & Joseph Hanlon.

Copies are in Maputo bookshops (Karibu at airport, Livaria UEM, Bazar Pariso, Mivany) or from

KAPICUA, which recently moved to Av de Maguiguana (nr Lenine), Maputo; Tel: +258 21 413 201.

Telm.: +258 823 219 950 E-mail: kapicua@tdm.co.mz / kapicuacom@tdm.co.mz

Outside Mozambique, we have a few copies we can send from London. Please e-mail j.hanlon@open.ac.uk.

Zimbabwe takes back its land

by Joseph Hanlon, Jeanette Manjengwa & Teresa Smart is now available from the publishers

https://www.rienner.com/title/Zimbabwe_Takes_Back_Its_Land also as an e-book and

<http://www.jacana.co.za/book-categories/current-affairs-a-history/zimbabwe-takes-back-its-land-detail>

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by Joseph Hanlon, Armando Barrientos, and David Hulme

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Joseph Hanlon

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Mozambique media websites, Portuguese:

Notícias: www.jornalnoticias.co.mz

O País: www.opais.co.mz

@Verdade: <http://www.verdade.co.mz>

Diario de Moçambique (Beira): <http://www.diariodemocambique.co.mz>

Carlos Serra Diário de um sociologo: <http://oficinadesociologia.blogspot.com>

Mozambique media websites, English:

Club of Mozambique: <http://clubofmozambique.com/>

Rhula weekly newsletter: <http://www.rhula.net/news-announcements.html>

Zitamar: <http://zitamar.com/>

Macauhub English: <http://www.macauhub.com.mo/en/>

AIM Reports: www.poptel.org.uk/mozambique-news

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